

**SOUTH CAROLINA DEPARTMENT OF
PROBATION, PAROLE AND PARDON SERVICES**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

February 13, 2020

Mr. Jerry B. Adger, Director
South Carolina Department of Probation,
Parole and Pardon Services
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department of Probation, Parole and Pardon Services (the Department), on the systems, processes and behaviors related to financial activity of the Department for the fiscal year ended June 30, 2019. The Department's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Department. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Department has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the management of the South Carolina Department of Probation, Parole and Pardon Services and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

South Carolina Office of the State Auditor
Agreed-Upon Procedures - South Carolina Department of Probation, Parole and Pardon Services
(N08)

Cash Receipts/Revenues

1. Compare current year revenues at the fund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of variations for the following general ledger (G/L) accounts: Fund 34L80000: G/L Accounts 4150080000 (Ignition Interlock Device – Indigent Program Fee), 4530030000 (Miscellaneous Revenue). Fund 38097000: G/L Account 4225070002 (Victim Restitution Fee – DACOR).
2. Haphazardly select fifteen cash receipts transactions and inspect supporting documentation to:
 - Ensure transaction amount, date, payor, document number, and account classification are properly reported in the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law and that any fee increases are in accordance with Proviso 117.7 of the Appropriation Act.
 - Determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

3. Compare current year non-payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations for the following G/L accounts: General Funds: G/L Accounts 502 – Contractual Services and G/L Accounts 505 – Travel. Federal Funds: G/L Accounts 505 – Travel.
4. Haphazardly select fifteen non-payroll disbursements plus five victim restitution payments and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Department procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Department procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Department.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures selected, inspect supporting documentation to determine:

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.

We found no exceptions as a result of the procedures.

Payroll

5. Compare current year payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations for the following G/L accounts: Federal Funds: G/L Accounts 501 – Salaries, G/L Accounts 513 – Fringes.
6. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.
7. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of variations greater than 10% when the proportion of employer contribution to personal service expenditures also varies at a rate greater than 5% between fiscal years.
8. Haphazardly select ten employees and one pay period and inspect supporting documentation during the fiscal year to:
 - Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Department.

For Salaried Employees:

- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees:

- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

9. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Department's policies and procedures, that the employee's last pay check was properly calculated, and that the employee's leave payout was properly calculated in accordance with applicable State law.
10. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Department's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
11. Haphazardly select five bonus pay disbursements to determine:
 - The employee does not make more than \$100,000 annually.
 - The bonuses received during the year did not exceed \$3,000.
 - The payment amount agreed to supporting documentation and the bonus was given for proper reason in accordance with Department policy.
 - The bonus pay was approved by the appropriate supervisor.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

12. Haphazardly select eleven journal entries and four transfers for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedure.

Reporting Packages

13. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual. Additionally, through inquiry and discussion with management, determine that the reported total for refunds of revenue owed to other parties at June 30, 2019 (Master Reporting Checklist Question #41) is reasonable/accurate.
14. In addition to the procedure above, perform the following:
 - Other Receivables Reporting Package

Determine if reported amounts for Gross Current, Allowance for Uncollectable, Non-Current and Net Current Receivables agree to Department supporting documentation.
 - Inventory Reporting Package

Determine if reported amounts agree to the South Carolina Enterprise Information System (SCEIS) Yearend Reporting - Inventory report. In addition, determine if the Department's reconciliation of physical inventory to SCEIS was properly completed.
 - Operating Leases Reporting Package

Agree applicable effective dates and future minimum lease payments on the Future Minimum Lease Payment Schedule to the prior year Schedule. In addition, confirm that the Department submitted copies of all leases to the CG in accordance with the CG's reporting package instructions.
 - Capital Assets Reporting Package

Determine if amounts reported on the Capital Assets Intra-State Reconciliation Form are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Asset History Sheet and/or Department prepared records.
 - Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Department prepared records. In addition, determine if the payable and other current liability amounts reported on the Subsequent Events Accounts Payable Worksheet were properly classified, reported, and excluded from the original Accounts Payable Reporting Package submission.

Reporting Packages (Continued)

Findings

Inventory Reporting Package - The Department completed a physical inventory count on June 25, 2019 but did not follow all reporting package instructions, because adequate documentation was not maintained to show reconciliation of the physical count to the June 30 valuation, and the Office of the State Auditor was not notified of the inventory dates.

Subsequent Events Questionnaire - A payable totaling approximately \$82,000 was mistakenly reported with subsequent events. The same payable had been previously reported on the Accounts Payable Reporting Package.

Management's Response

The agency agrees with the South Carolina State Auditor's findings regarding the physical count documentation and notification of inventory dates to the Office of the State Auditor. The agency will review its standard operating procedures and internal policies to ensure that the reporting and notification requirements related to the year-end inventory are included.

The agency agrees with the South Carolina State Auditor's finding related to the subsequent events questionnaire. The \$82,000 reported should not have been included on the report. The balance was already included in the original Accounts Payable reporting package submission. The Subsequent reporting package instructions and notes will be updated to ensure that only the amounts in excess of the original balance be included with the reporting package.

Assets and Personal Property

15. Haphazardly select five capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine that each asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the CG's Reporting Policies and Procedures Manual.
16. Confirm that an inventory of Department property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Law 10-1-140.
17. Haphazardly select five assets from the SCEIS Asset History Report (or Department listing of assets) and confirm their existence through physical observation and identification of the assets on the Department's fiscal year 2019 asset inventory.

Finding

Three of the five capital asset acquisitions inspected were capitalized at a value below the State's capitalization threshold.

Management's Response

The agency agrees with the South Carolina State Auditor's findings regarding the capital assets capitalized below the State's capitalization threshold. The assets identified were capitalized in error. The agency's Fixed Asset and Procurement standard operating procedures will include specific language related to how the capital asset totals are derived. This will ensure assets are categorized accurately.

Governance, Risk and Compliance (GRC) SCEIS Module

18. Inspect the SCEIS GRC Module to identify any new controls implemented since the prior year inspection. For new controls identified, inspect mitigating control documentation and inquire with management to confirm that the controls are operating as designed.

We found no exceptions as a result of the procedure.

Additional Provisos

19. Confirm that the Department submitted to the State Human Affairs Commission employment and filled vacancy data by race and sex by October thirty-first of the fiscal year in accordance with Proviso 117.13 of the Appropriation Act.
20. Confirm compliance with the selected agreed-upon Department-specific state provisos (proviso numbers 66.3, 66.5, and 66.6) by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Status of Prior Year Findings

21. Through inquiry and inspection, determine if the Department has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedure.